

QUARTERLY REPORT

On the consolidated results for the first quarter ended 31 March 2020

The Directors hereby announce the following:

Unaudited Condensed Consolidated Statement of Profit or Loss Amounts in RM thousand unless otherwise stated

	Note	Quarter ended 31 March		% +/(-)
		2020	2019	
Revenue	A8	476,737	575,132	(17.1)
Cost of sales		(400,376)	(440,121)	
Gross profit		76,361	135,011	(43.4)
Other income		3,996	1,864	
Selling and marketing expenses		(15,592)	(17,421)	
Administrative expenses		(53,508)	(49,334)	
Operating profit		11,257	70,120	
Share of results of joint ventures		(11,534)	3,840	
Share of results of associates		219	(374)	
Other (losses)/gains		(5,358)	204,404	
(Loss)/Profit before interest and tax	A7	(5,416)	277,990	(101.9)
Finance income		28,855	30,224	
Finance costs		(12,515)	(6,734)	
Profit before tax		10,924	301,480	(96.4)
Tax expense	B6	(8,864)	(27,158)	
Profit for the period		2,060	274,322	(99.2)
Attributable to:				
- owners of the Company		14,153	265,075	(94.7)
- non-controlling interests		(12,093)	9,247	
Profit for the period		2,060	274,322	(99.2)
Basic earnings per share attributable to owners of the Company (sen)	B11	0.2	3.9	(94.7)

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

SIME DARBY PROPERTY BERHAD
Registration No: 197301002148 (15631-P)

Unaudited Condensed Consolidated Statement of Comprehensive Income
Amounts in RM thousand unless otherwise stated

	Quarter ended		
	31 March		
	2020	2019	% +/(-)
Profit for the period	<u>2,060</u>	<u>274,322</u>	(99.2)
Other comprehensive (loss)/income			
Items which will subsequently be reclassified to profit or loss (net of tax):			
Currency translation differences	<u>(23,227)</u>	<u>43,429</u>	
Total comprehensive (loss)/income for the period	<u>(21,167)</u>	<u>317,751</u>	(106.7)
Attributable to:			
- owners of the Company	<u>(4,056)</u>	<u>309,181</u>	(101.3)
- non-controlling interest	<u>(17,111)</u>	<u>8,570</u>	
Total comprehensive (loss)/income for the period	<u>(21,167)</u>	<u>317,751</u>	(106.7)

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

SIME DARBY PROPERTY BERHAD
Registration No: 197301002148 (15631-P)

Unaudited Condensed Consolidated Statement of Financial Position
Amounts in RM thousand unless otherwise stated

	Note	Unaudited As at 31 March 2020	Audited As at 31 December 2019
<u>Non-current assets</u>			
Property, plant and equipment		630,834	636,284
Investment properties		741,690	745,785
Inventories (note 1)		4,478,313	4,542,929
Joint ventures		2,791,078	2,805,001
Associates		140,132	139,137
Investments		57,134	58,788
Intangible assets		3,869	4,143
Deferred tax assets		579,114	579,376
Receivables		80,790	50,790
Contract assets		1,308,880	1,318,352
		10,811,834	10,880,585
<u>Current assets</u>			
Inventories (note 1)		2,053,433	1,989,843
Receivables		629,552	628,711
Contract assets		1,041,846	1,198,933
Prepayment		21,654	17,549
Tax recoverable		33,581	23,334
Cash held under Housing Development Accounts		528,722	456,706
Bank balances, deposits and cash		396,755	286,632
		4,705,543	4,601,708
Total assets	A7	15,517,377	15,482,293
<u>Equity</u>			
Share capital		6,800,839	6,800,839
Fair value reserve		36,375	36,375
Exchange reserve		(29,888)	(11,679)
Retained profits		2,774,311	2,896,175
Attributable to owners of the Company		9,581,637	9,721,710
Non-controlling interests		211,185	228,296
Total equity		9,792,822	9,950,006
<u>Non-current liabilities</u>			
Payables		82,105	81,375
Borrowings	B8	2,336,225	2,408,140
Lease liabilities		72,992	74,042
Provisions		105,255	99,332
Contract liabilities		253,463	251,623
Deferred tax liabilities		166,543	163,713
		3,016,583	3,078,225
<u>Current liabilities</u>			
Payables		1,217,944	1,304,027
Borrowings	B8	1,016,532	796,147
Lease liabilities		14,860	17,670
Provisions		72,930	76,569
Contract liabilities		136,534	100,902
Tax provision		113,155	158,747
Dividend payable		136,017	-
		2,707,972	2,454,062
Total liabilities		5,724,555	5,532,287
Total equity and liabilities		15,517,377	15,482,293

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Unaudited Condensed Consolidated Statement of Financial Position (continued)
Amounts in RM thousand unless otherwise stated

	Unaudited As at 31 March 2020	Audited As at 31 December 2019
Net assets per share attributable to owners of the Company (RM)	<u>1.41</u>	<u>1.43</u>

Note:

1. Inventories

Completed development units	575,229	532,786
Ongoing development	1,476,468	1,455,335
Others	1,736	1,722
	<u>2,053,433</u>	<u>1,989,843</u>
Not within normal operating cycle	4,478,313	4,542,929
	<u>6,531,746</u>	<u>6,532,772</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

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Unaudited Condensed Consolidated Statement of Changes in Equity
Amounts in RM thousand unless otherwise stated

	Share capital	Fair value reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total equity
Quarter ended 31 March 2020							
At 1 January 2020	6,800,839	36,375	(11,679)	2,896,175	9,721,710	228,296	9,950,006
Total comprehensive (loss)/income for the period	-	-	(18,209)	14,153	(4,056)	(17,111)	(21,167)
Transaction with owners:							
- dividends payable	-	-	-	(136,017)	(136,017)	-	(136,017)
At 31 March 2020	6,800,839	36,375	(29,888)	2,774,311	9,581,637	211,185	9,792,822
Quarter ended 31 March 2019							
At 1 January 2019	6,800,839	38,063	(63,044)	2,433,661	9,209,519	236,881	9,446,400
Total comprehensive income for the period	-	-	44,106	265,075	309,181	8,570	317,751
Transaction with owners:							
- dividends payable	-	-	-	(68,008)	(68,008)	-	(68,008)
At 31 March 2019	6,800,839	38,063	(18,938)	2,630,728	9,450,692	245,451	9,696,143

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

SIME DARBY PROPERTY BERHAD
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Unaudited Condensed Consolidated Statement of Cash Flows
Amounts in RM thousand unless otherwise stated

	Quarter ended	
	31 March	
	2020	2019
Cash flow from operating activities		
Profit for the period	2,060	274,322
Adjustments for:		
Share of results of joint ventures and associates	11,315	(3,466)
Depreciation and amortisation	13,098	13,917
Net reversal of impairments	689	(147)
Bad debts recovered	(67)	-
Write-offs of property, plant and equipment	1	109
Gain on disposal	(10)	(203,392)
Changes in fair value of quoted investments	1,654	(245)
Provisions	5,003	-
Finance income	(28,855)	(30,224)
Finance costs	12,515	6,734
Tax expense	8,864	27,158
Other items	(27)	(11)
	<u>26,240</u>	<u>84,755</u>
Changes in working capital:		
- inventories	29,423	195,187
- trade, other receivables and prepayments	(11,763)	8,156
- contract assets and contract liabilities	229,638	59,054
- trade, other payables and provisions	(91,456)	(201,287)
Cash from operations	<u>182,082</u>	<u>145,865</u>
Tax paid	(61,559)	(53,857)
Net cash from operating activities	<u>120,523</u>	<u>92,008</u>
Cash flow from investing activities		
Finance income received	3,248	3,139
Proceeds from sale of property, plant and equipment	10	280,507
Purchase/addition of:		
- property, plant and equipment	(2,656)	(806)
- investment properties	(421)	-
- intangible assets	(114)	(462)
Subscription of shares in joint ventures	(6,225)	(182,026)
Advances to joint ventures and associates	(30,776)	(744)
Net cash (used in)/ from investing activities	<u>(36,934)</u>	<u>99,608</u>
Cash flow from financing activities		
Finance costs paid	(42,058)	(38,695)
Borrowings raised	17,781	2,944
Repayments of long-term borrowings	(68,828)	(118,699)
Revolving credits (net)	200,000	40,000
Repayments of lease liabilities	(4,578)	(4,601)
Net cash from/(used in) financing activities	<u>102,317</u>	<u>(119,051)</u>

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Unaudited Condensed Consolidated Statement of Cash Flows (continued)
Amounts in RM thousand unless otherwise stated

	Quarter ended	
	31 March	
	2020	2019
Net changes in cash and cash equivalents	185,906	72,565
Foreign exchange differences	(3,767)	(378)
Cash and cash equivalents at beginning of the period	743,338	649,090
Cash and cash equivalents at end of the period	925,477	721,277

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:

Cash held under Housing Development Accounts	396,755	362,746
Bank balances, deposits and cash	528,722	358,531
	925,477	721,277

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

SIME DARBY PROPERTY BERHAD
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Explanatory Notes on the Quarterly Report – 31 March 2020
Amounts in RM thousand unless otherwise stated

EXPLANATORY NOTES

This interim financial report is prepared in accordance with the requirements of Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complied with the requirements of the Malaysian Financial Reporting Standard (“MFRS”) 134 – Interim Financial Reporting and other MFRS issued by the Malaysian Accounting Standards Board (“MASB”).

The interim financial report is unaudited and should be read in conjunction with the Group’s audited consolidated financial statements for the financial year ended 31 December 2019.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited consolidated financial statements for the financial year ended 31 December 2019 except as described below.

- a. Accounting pronouncements that have been newly adopted for this interim financial period:

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 7, MFRS 9 and MFRS 139	Interest Rate Benchmark Reform
Amendments to References to the Conceptual Framework in MFRS Standards	

The adoption of the above did not result in any significant changes to the Group’s results and financial position.

- b. Accounting pronouncements that are not yet effective are set out below:

MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current

- c. Accounting pronouncement where the effective date has been deferred to a date to be determined by the MASB is set out below:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

- d. Agenda Decision on IAS 23 Borrowing Costs relating to over time transfer of constructed good

In March 2019, IFRS Interpretations Committee (“IFRIC”) published an agenda decision on borrowings costs confirming, receivables, contract assets and inventories for which revenue is recognised over time are non-qualifying assets. On 20 March 2019, the Malaysian Accounting Standards Board decided that an entity shall apply the change in accounting policy as a result of the IFRIC Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The Group is assessing the impact on the change in accounting policy pursuant to IFRIC Agenda Decision on borrowing costs incurred on property under construction where control is transferred over time.

A2. Seasonal or Cyclical Factors

The Group’s operations are not affected by seasonal or cyclical factors.

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Explanatory Notes on the Quarterly Report – 31 March 2020
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A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the quarter under review, the Malaysian government has implemented the Movement Control Order (“MCO”) as a preventive measure in response to the Covid-19 pandemic. Similar measures were also implemented in other countries where the Group operates. These measures, which require temporary closure for all office premises and businesses except for those involved in the provision of essential services, have adversely impacted the Group’s operations.

There were no other material unusual items affecting the Group’s assets, liabilities, equity, net income or cash flows during the financial period under review.

A4. Material Changes in Estimates

There were no material changes in the estimates of amounts reported in the prior interim period of the previous financial year that have a material effect on the results for the current quarter under review other than as disclosed in Notes B1 and B5.

A5. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period under review.

The Company has 6,800,839,377 ordinary shares in issue as at 31 March 2020.

A6. Dividend Paid

The second interim single tier dividend in respect of the financial year ended 31 December 2019 of 2.0 sen per ordinary share, amounting to RM136.0 million was paid on 20 April 2020.

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A7. Segment Information

The Group has three (3) reportable business segments – property development, property investment and leisure and hospitality. The Senior Management of the Group reviews the operations and performance of the respective business segments on a regular basis and their respective performances are as follows:

a. Segment results

	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total
Quarter ended 31 March 2020					
Revenue:					
External	440,744	17,445	18,548	–	476,737
Inter-segment	86	2,487	255	(2,828)	–
	440,830	19,932	18,803	(2,828)	476,737
Cost of sales	(375,355)	(13,393)	(11,695)	67	(400,376)
Gross profit	65,475	6,539	7,108	(2,761)	76,361
Other income	3,891	74	31	–	3,996
Selling and marketing expenses	(15,009)	(440)	(143)	–	(15,592)
Administrative expenses	(38,915)	(4,947)	(12,407)	2,761	(53,508)
Operating profit/(loss)	15,442	1,226	(5,411)	–	11,257
Share of results of joint ventures and associates	(10,605)	(710)	–	–	(11,315)
Segment results	4,837	516	(5,411)	–	(58)
Other (losses)/gains	(361)	(5,003)	6	–	(5,358)
Profit/(Loss) before interest and tax	4,476	(4,487)	(5,405)	–	(5,416)
Included in other gains/(losses) are:					
Gain on disposal of property, plant and equipment	–	–	10	–	10
Reversal of impairment of amount due from a joint venture	1,296	–	–	–	1,296
Provision on obligation for an investment property disposed	–	(5,003)	–	–	(5,003)
Changes in fair value of quoted investments	(1,654)	–	–	–	(1,654)

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Explanatory Notes on the Quarterly Report – 31 March 2020
Amounts in RM thousand unless otherwise stated

A7. Segment Information (continued)

a. Segment results (continued)

	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total
Quarter ended 31 March 2019					
Revenue:					
External	534,786	18,342	22,004	–	575,132
Inter-segment	61	2,504	79	(2,644)	–
	534,847	20,846	22,083	(2,644)	575,132
Cost of sales	(412,146)	(13,157)	(14,881)	63	(440,121)
Gross profit	122,701	7,689	7,202	(2,581)	135,011
Other income	1,532	108	224	–	1,864
Selling and marketing expenses	(17,299)	–	(122)	–	(17,421)
Administrative expenses	(37,003)	(2,837)	(12,075)	2,581	(49,334)
Operating profit/(loss)	69,931	4,960	(4,771)	–	70,120
Share of results of joint ventures and associates	1,834	1,632	–	–	3,466
Segment results	71,765	6,592	(4,771)	–	73,586
Other gains	1,014	–	203,390	–	204,404
Profit before interest and tax	72,779	6,592	198,619	–	277,990
Included in other gains are:					
Gain on disposal of property, plant and equipment	5	–	203,387	–	203,392
Changes in fair value of quoted investments	245	–	–	–	245

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Explanatory Notes on the Quarterly Report – 31 March 2020
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A7. Segment Information (continued)

b. Segment assets

	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total
As at 31 March 2020					
Operating assets	9,394,618	2,532,717	573,611	(527,474)	11,973,472
Joint ventures and associates	2,727,699	250,125	–	(46,614)	2,931,210
	<u>12,122,317</u>	<u>2,782,842</u>	<u>573,611</u>	<u>(574,088)</u>	<u>14,904,682</u>
Tax assets					612,695
Total assets					<u><u>15,517,377</u></u>
As at 31 December 2019					
Operating assets	9,333,152	2,570,431	590,648	(558,786)	11,935,445
Joint ventures and associates	2,746,022	244,730	–	(46,614)	2,944,138
	<u>12,079,174</u>	<u>2,815,161</u>	<u>590,648</u>	<u>(605,400)</u>	<u>14,879,583</u>
Tax assets					602,710
Total assets					<u><u>15,482,293</u></u>

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Explanatory Notes on the Quarterly Report – 31 March 2020
Amounts in RM thousand unless otherwise stated

A8. Revenue

	Quarter ended 31 March	
	2020	2019
Revenue comprise the following:		
Revenue from contracts with customers	464,455	562,035
Revenue from rental income	12,282	13,097
	<u>476,737</u>	<u>575,132</u>
Disaggregation of the Group's revenue from contracts with customers:		
Geographical market		
- Malaysia	345,641	561,607
- Australia	118,672	206
- Vietnam	142	176
- Singapore	–	46
	<u>464,455</u>	<u>562,035</u>
Timing of revenue recognition		
- at point in time	153,941	98,017
- over time	310,514	464,018
	<u>464,455</u>	<u>562,035</u>

A9. Capital Commitments

	As at 31 March 2020	As at 31 December 2019
Authorised capital expenditure not provided for in the interim financial report is as follows:		
Contracted		
- property, plant and equipment	9,748	10,524
- investment properties	40,907	37,016
- intangible assets	938	938
	<u>51,593</u>	<u>48,478</u>
Not contracted		
- property, plant and equipment	33,778	34,338
- investment properties	105,960	105,960
- intangible assets	1,203	1,203
	<u>192,534</u>	<u>189,979</u>

In addition, pursuant to the Subscription and Shareholders' Agreement, which is reiterated through Letters of Undertaking issued by the shareholders of Battersea Project Holding Company Limited ("Battersea") to Battersea, the shareholders are committed to subscribe for shares in Battersea in proportion to their respective shareholdings when a capital call is made for the purpose of ensuring Battersea and its subsidiaries are able to meet their respective funding obligations. The Group's portion of the commitment as at 31 March 2020 is estimated up to GBP140.0 million (equivalent to RM751.9 million) (31 December 2019: GBP140.0 million, equivalent to RM754.3 million).

The Board of Directors has also authorised the subscription of shares in Sime Darby Property MIT Development Sdn Bhd in proportion to the Group's shareholding in the joint venture. As at 31 March 2020, the limit of equity injection authorised is RM63.8 million (31 December 2019: RM70.0 million).

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Explanatory Notes on the Quarterly Report – 31 March 2020
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A10. Significant Related Party Transactions

Significant related party transactions during the three months ended 31 March 2020 are as follows:

	Quarter ended 31 March 2020	2019
a. Transactions between subsidiaries and their owners of non-controlling interests		
Turnkey works rendered by Brunfield Engineering Sdn Bhd to Sime Darby Brunfield Holding Sdn Bhd group, companies in which Tan Sri Dato' Ir Gan Thian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders	<u>(44,322)</u>	<u>(5,328)</u>

b. Transactions with shareholders and Government

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (“ASNB”), together own 56.8% as at 31 March 2020 of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra (“YPB”). The Group considers that, for the purpose of MFRS 124 – Related Party Disclosures, YPB and the Malaysian Government are in the position to exercise significant control over it. As a result, the Malaysian Government and Malaysian Government’s controlled bodies (collectively referred to as government-related entities) are related parties of the Group and the Company.

Transactions entered by the Group and the Company with shareholders and related parties include purchase of raw materials, placement of bank deposits and use of public utilities and amenities. All the transactions entered by the Group and the Company with the related parties are conducted in the ordinary course of the Group’s and the Company’s businesses on negotiated terms or terms comparable to those with other entities that are not related.

Significant transactions entered with shareholders and government-related entities during the financial period include:

	Quarter ended 31 March 2020	2019
<u>Yayasan Sime Darby</u>		
Contribution paid to Yayasan Sime Darby	(10,000)	(10,000)
<u>Sime Darby Berhad group</u>		
Rental income	2,946	2,950
		-
<u>Sime Darby Plantation Berhad group</u>		
Rental income	<u>1,938</u>	<u>1,603</u>

Subsequent to the end of the reporting period, on 28 April 2020, Sime Darby Brunfield Damansara Sdn Bhd, Sime Darby Property (Ara Damansara) Sdn Bhd (formerly known as Sime Darby Ara Damansara Development Sdn Bhd) and Sime Darby Holdings Berhad entered into a Supplemental Agreement to the Sale and Purchase Agreement dated 20 June 2017 (“SPA”) in relation to the disposal of two (2) blocks of eleven (11) storeys (with a ground floor and roof top) of commercial office buildings together with accessory parcels and one (1) level of basement car park at basement 2. The Supplemental Agreement has amended certain terms in the SPA whereby the purchase consideration has been adjusted to RM200.0 million as a result of the finalisation of the net floor area measurement.

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A11. Material Events Subsequent to the End of the Financial Period

Except for the easing of the preventive measures mentioned in Note A3 in May 2020 which allows the Group to restart its businesses, there was no material event subsequent to the end of the current quarter under review to 14 May 2020, being a date not earlier than 7 days from the date of issue of the quarterly report.

A12. Effect of Significant Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the financial period ended 31 March 2020, other than disclosed below.

Establishment of new company

On 3 March 2020, Sime Darby Property (BBR Industrial I) Sdn Bhd (“SDPBBRII”) was incorporated in Malaysia with its entire share capital of RM1.0 million held by Sime Darby Property Berhad. The principal activity of SDPBBRII is property investment.

A13. Contingent Liabilities – unsecured

	As at 31 March 2020	As at 31 December 2019
Claims pending against the Group	<u>82,886</u>	<u>79,842</u>

A14. Financial Instruments

The carrying amounts of financial instruments measured at amortised cost approximate their fair values due to the relatively short-term nature of these financial instruments.

The fair values of financial instruments measured at Fair Value through Other Comprehensive Income (“FVOCI”) and Fair Value Through Profit or Loss (“FVTPL”) are as follows:

	As at 31 March 2020	As at 31 December 2019
Investments:		
- quoted shares	643	2,297
- unquoted shares	<u>56,491</u>	<u>56,491</u>
	<u>57,134</u>	<u>58,788</u>

The quoted shares are measured at FVTPL at Level 1 of the fair value hierarchy, based on quoted prices of the shares in active markets. Unquoted shares are measured at FVOCI at Level 3 of the fair value hierarchy. The fair values of the unquoted shares are determined using valuation technique based on inputs other than quoted prices.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group Performance

	Quarter ended		
	31 March		
	2020	2019	% +/(-)
Revenue	476,737	575,132	(17.1)
Segment results:			
Property development	4,837	71,765	(93.3)
Property investment	516	6,592	(92.2)
Leisure and hospitality	(5,411)	(4,771)	(13.4)
	(58)	73,586	(100.1)
Other (losses)/gains	(5,358)	204,404	
(Loss)/Profit before interest and tax	(5,416)	277,990	(101.9)
Finance income	28,855	30,224	
Finance costs	(12,515)	(6,734)	
Profit before tax	10,924	301,480	(96.4)
Tax expense	(8,864)	(27,158)	
Profit for the period	2,060	274,322	(99.2)
Attributable to:			
- owners of the Company ("PATAMI")	14,153	265,075	(94.7)
- non-controlling interests	(12,093)	9,247	
Profit for the period	2,060	274,322	(99.2)

Revenue for the first quarter ended 31 March 2020 decreased by 17.1% as compared to the corresponding period of the previous year. The Group recorded profit before tax of RM10.9 million and PATAMI of RM14.2 million for the current quarter. The decline in the current quarter performance as compared to the corresponding period of last year was due to significant decrease in contribution from core business segments, coupled with other losses and higher finance costs.

The other losses in the current quarter include a provision of disposal obligations of RM5.0 million in relation to a property disposed in financial year 2017 whilst the previous year results were boosted by the disposal gain of Darby Park Executive Suites in Singapore totaling RM203.4 million.

The high finance cost for the current quarter was due to the accounting treatment on borrowing costs whereby that portion of the borrowing costs, where all property development activities were temporarily suspended following the implementation of the Movement Control Order ("MCO") by the government of Malaysia, were required to charge out directly to income statement rather than capitalised into land held for property development and property development cost and released progressively during the construction period.

The non-controlling interests share of losses of RM12.1 million for the quarter was attributable mainly to the losses suffered by non-wholly owned subsidiaries.

An analysis of the results of each business segment is as follows:

a) Property development

Property development segment recorded a profit of RM4.8 million as compared to RM71.8 million in the corresponding period. The lower profit in the current quarter was due mainly to significant decrease in property sales of both landed and high rise units after the expiry of the Home Ownership Campaign at the end of last year. The development activities were also lower as on-site construction activities were halted for 14 days upon the enforcement of MCO. The weak results were further impacted with the provision of liquidated and ascertained damages on the possible delay in delivery of projects derived from MCO imposed by the government.

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B1. Review of Group Performance (continued)

a) Property development (continued)

With the enforcement of the MCO, it has impacted the registration of new sales in the current quarter. In addition, lower gross profit margin was recorded due mainly to minimal profit derived from sale of land of RM118.7 million in Gold Coast, and additional sales incentives were provided for the unsold inventories in the current quarter.

Development projects that performed better in the current quarter as compared to the corresponding period of the previous year include Elmina West, Subang Jaya City Centre, Ara Damansara and Nilai Utama township.

Kota Elmina, the Group's new township for industrial sub-segment, will commence to contribute to the Group's result once the revenue recognition criteria for the industrial lots are fulfilled.

The Group's share of losses from joint ventures and associates increased to RM10.6 million as compared to share of profit of RM1.8 million in the corresponding period a year ago. The losses were mainly due to higher share of losses from Battersea with lower contribution from PJ Midtown. Battersea recorded a lower loss in the previous year due to the sales of completed stocks.

b) Property investment

Property investment segment registered a profit of RM0.5 million as compared to RM6.6 million in the corresponding period of the previous year. The lower profit recorded in the current quarter was mainly impacted by the pre-opening expenditure of KL East Mall, higher overhead expenses for concession arrangement as well as share of losses from Melawati Mall and SD MIT joint ventures.

c) Leisure and hospitality

Leisure and hospitality segment registered a higher loss of RM5.4 million as compared to RM4.8 million of the same quarter last year. The higher loss was mainly due to lower contribution from events and functions following the Covid-19 pandemic outbreak in Malaysia and the enforcement of MCO movement by the government.

Results were partially mitigated by the non-occurrence of operational overheads following the divestment of the loss-making overseas hospitality assets in the previous year.

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B2. Material Changes in Profit for the Current Quarter as Compared to the Preceding Quarter

	Quarter ended		%
	31 March 2020	31 December 2019	+ / (-)
Revenue	476,737	888,932	(46.4)
Segment results:			
Property development	4,837	118,298	(95.9)
Property investment	516	(3,853)	113.4
Leisure and hospitality	(5,411)	(11,254)	51.9
	(58)	103,191	(100.1)
Other (losses)/gains	(5,358)	17,441	
(Loss)/Profit before interest and tax	(5,416)	120,632	(104.5)
Finance income	28,855	30,683	
Finance costs	(12,515)	(7,681)	
Profit before tax	10,924	143,634	(92.4)
Tax expense	(8,864)	(34,479)	
Profit for the period	2,060	109,155	(98.1)
Attributable to:			
- owners of the Company ("PATAMI")	14,153	102,955	(86.3)
- non-controlling interests	(12,093)	6,200	
Profit for the period	2,060	109,155	(98.1)

The revenue for the current quarter was 46.4% lower than the preceding quarter. The unprecedented global pandemic hits hard on the already weakened property market which was evidenced with decline in property sales in the current quarter. The Group recorded profit before tax of RM10.9 million and a PATAMI of RM14.2 million for the current quarter.

The strong performance in preceding quarter was mainly attributable to higher contribution from the property development segment, boosted by the Home Ownership Campaign which ended 31 December 2019. The preceding quarter performance was further enhanced with gains on the disposal of properties amounting to RM36.7 million. The results in the current and preceding quarters were both impacted by the provision of disposal obligations in relation to a property disposed in financial year 2017 of RM5.0 million and RM10.0 million respectively.

An analysis of the results of each business segment is as follows:

a) Property development

The performance of property development segment declined significantly from a profit of RM118.3 million in the preceding quarter to RM4.8 million in current quarter. Other than the profit from non-strategic land sale of RM30.1 million recorded in the preceding quarter, contribution was significantly lower from Putra Heights, Bandar Ainsdale, Bukit Jelutong, Serenia City, KLGCC Resort, KL East and Cantara Residences. The sales of completed units and development units of all on-going projects, and on-site development activities were both significantly higher in the preceding quarter as compared to the current quarter.

In addition, the enforcement of the Movement Control Order ("MCO") with effect from 18 March 2020 has disrupted the registration of new sales and the development activities in the current quarter.

The segment performance were further impacted with the provision of liquidated and ascertained damages on the possible delay in delivery of projects resulted from MCO imposed by the government, and the lower gross profit margin, resulted from minimal profit on the sale of land of RM118.7 million in Gold Coast, and additional sales incentives were provided for the unsold inventories.

The weak results recorded for the current quarter include a share of loss of RM10.0 million from Battersea as compared to a share of profit of RM6.2 million in the preceding quarter. The loss was mainly due to the increase in operating and marketing expenses, whilst the preceding quarter's profit included the recognition of deferred tax asset.

B2. Material Changes in Profit for the Current Quarter as Compared to the Preceding Quarter (continued)

b) Property investment

Property investment segment registered a profit of RM0.5 million as compared to a loss of RM3.9 million in the preceding quarter. The improvement in performance were attributable to higher contribution from facilities and asset management services and lower pre-opening expenditure of KL East Mall. The contribution from facilities and asset management services in the preceding quarter was negatively impacted by the impairment of receivables.

c) Leisure and hospitality

Leisure and hospitality recorded lower loss of RM5.4 million as compared to RM11.3 million in the preceding quarter. The improved results were mainly due to lower maintenance and other expenses incurred by TPC, KL compared to the preceding quarter.

B3. Prospects

Bank Negara Malaysia has revised Malaysia's Gross Domestic Product (GDP) projection to between -2.0% and 0.5% in 2020, weighed down by the output loss arising from the pandemic, Movement Control Order ("MCO") and the collapse in petroleum price. The already weakened domestic property market prior to Covid-19 would continue to be affected by the ensuing global uncertainties and external developments. However, the impact to the property sector may be partially cushioned by the massive fiscal stimulus amounting to 2% of GDP and the reduction of the Overnight Policy Rate for the third time this year by 50 basis points, bringing the benchmark interest rate to 2.0%. These policy actions are expected to support the domestic economic activities.

The Company's immediate priorities for the year will be on cashflow management, active marketing and sales campaigns, inventory management, and cost reduction. The Company will prioritise key projects that deliver value to the stakeholders and focus on launching products that are priced competitively, in meeting customers' needs.

In line with the Government's incremental lifting of the MCO, the Company is in the midst of commencing construction works. Construction sites will be activated in phases, in compliance with relevant regulatory requirements. Strict operating guidelines including the social distancing etiquette have been adopted to ensure seamless operations. The Company, as a leading industry player will work in tandem with Ministry of Housing & Local Government as well as other relevant agencies on industry matters, including the securing of Extension of Time (EOT) for the handover of ongoing projects.

Moving forward, the Company will streamline its efforts to promote the right product launches as well as improve on processes and systems. This would enable the Company to become more agile and adaptable to respond to the fast-paced challenges of these current times.

The Company will also prioritise its area of focus to what will make a difference for 2020, in particular strengthening its resilience against the global and domestic macroeconomic headwinds and the market uncertainties brought by the pandemic, which is unprecedented in its magnitude.

The Company foresees that the coming months in the current financial year will be adversely affected by the spillover effects of the pandemic on consumers' purchasing power thereby resulting in a moderation of property sales. Sime Darby Property will continue to monitor the situation and will revise its financial targets, including announcement of latest sales estimates, once there is more clarity of the situation.

In weathering the storm, the Company remains confident in its financial position, as reflected by its strong track record and a robust balance sheet. As at 31 March 2020, unbilled sales in hand remained at a healthy RM1.5 billion, coupled with a targeted pipeline of new launches. The Company's bank balances also stood at RM925.5 million with solid cashflow from operations at RM120.5 million, while its net gearing ratio remained low at 0.26x.

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B4. Variance of Actual Profit from Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B5. Profit Before Interest and Tax

	Quarter ended 31 March	
	2020	2019
Included in operating profit are:		
Depreciation and amortisation	(13,098)	(13,917)
(Impairment)/Reversal of impairment of:		
- receivables	(5,969)	147
- inventories	3,984	-
Bad debts recovered	67	-
Write-off of property, plant and equipment	<u>(1)</u>	<u>(109)</u>
Included in other (losses)/gains are:		
Gain on disposal of:		
- property, plant and equipment:		
- land and buildings	-	203,387
- Others	10	5
Reversal of impairment of amount due from a joint venture	1,296	-
Provision on obligation for an investment property disposed	(5,003)	-
Changes in fair value of quoted investments	(1,654)	245
Net foreign exchange (loss)/gain	<u>(7)</u>	<u>767</u>

B6. Tax Expense

	Quarter ended 31 March	
	2020	2019
In respect of the current period:		
- current tax	10,945	30,387
- deferred tax	339	(3,221)
	<u>11,284</u>	<u>27,166</u>
In respect of prior years:		
- current tax	(5,174)	6,237
- deferred tax	2,754	(6,245)
	<u>8,864</u>	<u>27,158</u>

The effective tax rate for the current quarter ended 31 March 2020 of 39.9% is higher than the statutory tax rate of 24% mainly due to disallowable expenses for tax purposes and deferred tax asset has not been provided for losses incurred by certain subsidiaries.

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B7. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 14 May 2020.

B8. Group Borrowings

The breakdown of the borrowings as at 31 March 2020 is as follows:

	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	542,949	–	542,949
Islamic financing	886,659	–	886,659
Syndicated Islamic financing	693,935	–	693,935
Amounts due to non-controlling interests	–	212,682	212,682
	<u>2,123,543</u>	<u>212,682</u>	<u>2,336,225</u>
<u>Short-term borrowings</u>			
Term loans due within one year	14,140	–	14,140
Islamic financing due within one year	165,082	–	165,082
Syndicated Islamic financing	76,330	–	76,330
Revolving credits	–	760,980	760,980
	<u>255,552</u>	<u>760,980</u>	<u>1,016,532</u>
Total borrowings	<u>2,379,095</u>	<u>973,662</u>	<u>3,352,757</u>

The breakdown of borrowings between the principal and interest portion are as follows:

	Secured	Unsecured	Total
Borrowings			
- principal	2,369,924	972,682	3,342,606
- interest	9,171	980	10,151
Total borrowings	<u>2,379,095</u>	<u>973,662</u>	<u>3,352,757</u>

The Group borrowings are denominated in Ringgit Malaysia.

Certain borrowings are secured by fixed and floating charges over property, plant and equipment, investment property and other assets of certain subsidiaries.

B9. Material Litigations

Changes in material litigations since the date of the last audited annual statement of financial position up to 14 May 2020 are as follows:

a) Claim against Sime Darby Property (Ara Damansara) Sdn Bhd (formerly known as Sime Darby Ara Damansara Development Sdn Bhd) (“SDPAD”)

A civil suit has been commenced by 72 purchasers of Ara Hill (“Plaintiffs”) against SDPAD, claiming general and specific damages of approximately RM40.0 million and specific performance arising from SDPAD’s alleged breaches of the terms of the sale and purchase agreements (“SPAs”) and the provisions of various statutes including, the Uniform Building By-Laws 1984 and the Street, Drainage and Building Act 1974.

The Plaintiffs alleged that the breaches by SDPAD have, amongst others, caused the delay in delivery of strata titles, which caused the Plaintiffs to suffer loss and damage, including indirect losses (which have not been proven by the Plaintiffs). The dispute was referred to mediation and the parties explored possible settlement proposals. However, the parties were unable to reach a global settlement. The trial commenced on 16 April 2018 and further trial dates have been fixed in June 2020. In January 2020, the Plaintiffs filed an application to court to determine certain questions of law and the interpretation of the provisions of the SPAs, by exchange of affidavits, i.e., without a full trial. A hearing date has yet to be fixed for this application.

The Plaintiffs’ claim is divided into various allegations against SDPAD. These claims and allegations have yet to be proven by the Plaintiffs and it would be speculative, at this juncture, to ascertain SDPAD’s potential liability to the Plaintiffs in respect of this civil suit.

b) Arbitration between Bumimetro Construction Sdn Bhd (“BCSB”) v Sime Darby Property (KL East) Sdn Bhd (formerly known as Sime Darby Melawati Development Sdn Bhd) (“SDPKE”)

BCSB (“Claimant”), the main contractor of a development in Melawati, Kuala Lumpur (“Project”) has referred disputes arising from the Project and the construction contract (“Contract”) with SDPKE (“Respondent”) to arbitration, pursuant to the Letter of Acceptance/Contract by issuing a notice of arbitration (“Notice”) on 20 September 2018. In the Notice, the Claimant is claiming for specific damages of approximately RM42.9 million. The Respondent had disputed the claims by the Claimant, in its written response to the Notice (“Response”) on 22 October 2018.

The parties have filed its Statement of Claim, Statement of Defence and Counterclaim and replies thereto.

The arbitration proceedings will be held in accordance with the rules of the Asian International Arbitration Centre before a single arbitrator. The hearing which was scheduled to commence on 2 March 2020 has been postponed to 15 June 2020.

Solicitors for the Respondent are of the view that there are tenable grounds on the positions taken by the Respondent in resisting the claim. However, these grounds would have to be assessed in detail when full documentation is disclosed in the proceedings. The Respondent’s chances of success are closely linked to the Project Architect’s advice given/position taken during their administration of the Contract as well as evidence to be given during the proceedings.

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B10. Dividend

No dividend has been declared or paid for the current quarter under review.

B11. Earnings Per Share

	Quarter ended	
	31 March	
	2020	2019
Basic earnings per share attributable to owners of the Company are computed as follows:		
Profit for the period	<u>14,153</u>	<u>265,075</u>
Number of ordinary shares in issue (thousand)	<u>6,800,839</u>	<u>6,800,839</u>
Basic earnings per share (sen)	<u>0.2</u>	<u>3.9</u>

The basic and diluted earnings per share are the same as there is no potential ordinary shares in issue as at the end of the financial period.

Selangor Darul Ehsan
21 May 2020

By Order of the Board
Moriami binti Mohd
Group Secretary